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**POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY**

**BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001**

INTERNATIONAL MAIL REPORT

DOCKET NO. IM99-1

**COMMENTS OF THE UNITED STATES POSTAL SERVICE
ON THE COMMISSION'S 39 U.S.C. § 3663 REPORT**

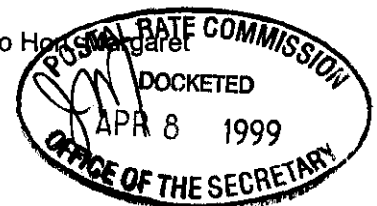
On February 16, the Commission issued Order No. 1228, which identifies the information the Postal Service must provide to enable the Commission to prepare a report on international mail costs, revenues, and volumes in accordance with 39 U.S.C. § 3663.¹ The Commission's order invites the Postal Service to provide an explanation as to why certain commercially sensitive data should be excluded from the Commission's report. In particular, the Order provides:

Whether data underlying the cost coverage for such a geographically-specific service is publicly reported will depend upon whether the Postal Service can demonstrate to the Commission that such data is commercially sensitive. In its initial report covering FY 1998, the Commission will use this as one of its criteria for resolving the dispute between the Postal Service and the parcel companies as to whether cost coverages for the portions of certain international services going to Canada, Mexico, and the rest of the world should be separately analyzed and reported.

On March 15 and 26, the Postal Service provided materials responsive to Order No. 1228. In a transmittal letter accompanying the March 15 filing,² the Postal Service advised that the materials included in its filing were internal documents of a

¹ The materials include the International Cost and Revenue Analysis report and underlying documentation, such as terminal dues data in detail; air conveyance dues data in detail; transit charges in detail; data systems reports applicable to international mail; a description of cost allocation procedures; identification of costs that are exclusive to international mail; revenue data; handbooks on data collection systems; historical cost, volume, and revenue data for international services; and a recently completed Inspector General report on international mail..

² Letter from William T. Johnstone, Managing Counsel, United States Postal Service, to Hon. Margaret



commercially sensitive nature that the Postal Service would not normally make publicly available. Accordingly, the Postal Service requested that the Commission withhold from public disclosure the materials it has filed with the Commission, and implement guidelines promulgated by the Department of Justice Office of Information and Privacy,³ should the Commission receive requests for public disclosure of the information. The Postal Service also expressed its intent to provide the Commission with a more specific description of the commercially sensitive nature of the materials it has provided.

The Postal Service hereby identifies the limited categories of commercially sensitive information that it believes the Commission should withhold from public disclosure in its report.

The Postal Service submits that, with limited exceptions,⁴ the information that it has provided to the Commission in connection with section 3663 is commercially sensitive. The Postal Service considers this information commercially sensitive, because it would provide competitors of the Postal Service with data that would benefit them commercially to the Postal Service's detriment. This is the type of commercially sensitive origin-destination data that is routinely protected from disclosure in the courts and by the Commission. The Postal Service does not, however, intend to unduly complicate the Commission's reporting responsibilities or constrain the Commission from fulfilling its section 3663 objectives. The discussion below accordingly undertakes to identify with greater precision the information the Postal Service reasonably believes

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Crenshaw, Secretary, Postal Rate Commission (Mar. 15, 1999).

³ U.S. DEPARTMENT OF JUSTICE, OFFICE OF INFORMATION AND PRIVACY, *OIP Guidance: Referral and Consultation Procedures*, FOIA UPDATE, vol. XII, no. 3 (Summer 1991).

⁴ The Postal Service understands that the Inspector General Report, marked as Exhibit 4, is available

the Commission could fairly exclude from its report, without imposing an administrative burden on the Commission, or depriving it of the ability to perform its statutory functions fairly and comprehensively.

1. Country-Specific Costs, Revenues, and Volumes

The Postal Service requests that the Commission withhold from its report specific references to or citations of country-specific cost, revenue, weight, and volume data that appear in Exhibits 1 and 5, the 1997 and 1998 ICRA's; Workpapers 1A, 1B, and 1C; and Exhibit 2, the 1997 Billing Determinants. Next to customer lists, origin-destination data constitutes the most commercially sensitive information compiled by a business. Country-specific information is like Origin-Destination Information System and domestic Cost and Revenue Analysis report data that show the revenue, volume and costs between city pairs in the United States. The Commission has recognized this, and protected from disclosure ODIS and CRA information for origin-destination pairs, precisely because it is commercially sensitive. Presiding Officer's Ruling No. R90-1/29 (June 19, 1990). The Commission's practice in this regard has encompassed First Class-Mail, as well as all other types of mail. In the Postal Service's judgment, furthermore, because of the highly competitive environment in the international arena, even more harm would result from disclosure of country-specific origin-destination information.

Internationally, the Postal Service has no monopoly over any type of mail. It increasingly competes daily with numerous foreign postal administrations, including

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from the office of the Inspector General upon request. In addition, Exhibits 3A, 3B, and 3C are training

Canada Post Corporation, Royal Mail International (the British Post Office), KPN (the Dutch Post Office), La Poste (the French Post Office), and the Swiss Post Office. In addition to these posts, the Postal Service competes with numerous private consolidators and remailers, such as Global Mail, Ltd, (a wholly owned subsidiary of Deutsche Post AG, the German Post Office). The Postal Service also competes with carriers for expedited packages and mail, including Federal Express (FedEx) and United Parcel Service (UPS) and, in addition, DHL and Airborne.

Disclosure of country specific information to these competitors would enable them to target Postal Service customers and divert their business. Department of Commerce data shows that approximately 85 percent of United States exports are shipped by fewer than 500 United States companies. The Department of Commerce, the Direct Marketing Association and Catalog Age [Catalog Age, February, 1999, Benchmark Study] have found that between 5 and 31 percent of mail order companies sell their products overseas. This means that a few companies send the overwhelming majority of mail and merchandise from the United States to overseas markets.

Disclosure of origin-destination information would enable competitors to know with a great deal of accuracy, which specific customers use the Postal Service, what countries they ship to, and what volumes they mail with the Postal Service. This information would make it remarkably easy for competitors to target these customers and divert their business from the Postal Service.

Disclosure of such information would also enable competitors to estimate more accurately the Postal Service's costs by country and type of cost. This would allow

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manuals and do not contain commercially sensitive information.

them to selectively develop prices that would be lower than the Postal Service's prices on a country by country basis, and thereby divert business away from the Postal Service and the countries whose business provides the greater returns. Such diversion would in turn create pressures to raise prices as traffic to more favorable countries declined. This would result in an even larger loss of business.

In addition, disclosure of country-specific cost, volume, and revenue information would impair the Postal Service's bargaining position in delivery cost negotiations for all types of mail. Access to country-specific volume and revenue information would provide competitors and foreign postal administrations with negotiated delivery costs for other specific countries. The Postal Service does not make public information that would reveal its negotiated delivery costs, because it could lose bargaining strength in negotiations with other countries if such information were disclosed. In addition, disclosure of the delivery costs would impair the ability of foreign postal administrations that are signatories to agreements with the Postal Service to negotiate delivery cost agreements with countries other than the United States. That is, the Postal Service's data show the delivery costs that the Postal Service has negotiated for access to a foreign postal system. Disclosure of this information would be harmful to the foreign postal administration's bargaining position with other countries with which it intends to negotiate bilateral delivery costs. In sum, protection of the cost, revenue, and volume information is critical in order to protect both the Postal Service's and foreign posts' bargaining positions in terminal dues negotiations.

2. Negotiated Delivery Cost Figures

For reasons described above, the Postal Service requests that the Commission's report exclude any negotiated delivery cost figures, which are published in the Billing Determinants and Appendix 1C. Disclosure of negotiated delivery cost figures would harm the Postal Service's and other postal administrations' bargaining positions in delivery cost negotiations, and interfere with the Postal Service's ability to pass along favorable delivery costs to the mailing public.

3. International Initiatives

The Postal Service further requests that the costs, revenues, and volumes for international initiatives, including Global Package Link, Global Priority Mail, Global Direct Entry/Inbound, Global Parcel Services, and International Customized Mail, be reported in the aggregate in the Commission's report. The Postal Service believes that these initiatives are particularly vulnerable to competition, because customer loyalty for these products has not matured. Product-specific volume, revenue, and cost information for these five initiatives would give competitors a clear understanding of the strengths of the Postal Service's new product lines, and leave the Postal Service vulnerable to intense competition in markets where the Postal Service has begun to earn a measure of success.

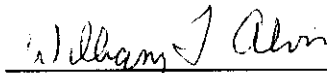
CONCLUSION

Wherefore, the Postal Service respectfully requests that the Commission withhold from its report country-specific data, negotiated terminal dues figures, and disaggregated cost, revenue, and volume information for international initiatives.

UNITED STATES POSTAL SERVICE

By its attorneys:

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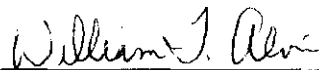


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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



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